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SENSITIVE

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TAGS: [ETRD](#) [ECON](#) [JO](#) [IZ](#)

SUBJECT: JORDAN: TRADING WITH IRAQ

REF: A. SECSTATE 104141

[B](#). AMMAN 2068

[C](#). AMMAN 1651

Sensitive but unclassified.

[1](#)1. (sbu) The following responses to the questions asked ref A are based on our ongoing dialogue with Jordanian officials and business leaders on their business and trade relationships with Iraq. Refs B and C are recent reports on these issues.

[1](#)2. (sbu) Jordan was not one of the countries that concluded a "free trade agreement" with Iraq in recent years. However, according to the Ministry of Trade, Jordan and Iraq have a bilateral trade agreement dating from the 1980's that exempts all, or nearly all, trade in goods from duties and tariffs. Since the start of UN sanctions, however, Iraq has applied an ad valorem tax of approximately 20% to all imports from Jordan and other countries. The proceeds of this "war tax" were purportedly used to compensate the Iraqi people for the cost of sanctions. The Ministry hopes that, with the change in the Iraqi government, the liberal provisions of the earlier agreement will apply to Jordanian exports.

[1](#)3. (sbu) The bulk of Jordan's trade with Iraq since 1991 was with the Iraqi government under the UN Oil for Food program and the Jordan-Iraq bilateral oil for goods barter protocol, under which Iraq supplied Jordan with deeply discounted oil, with Jordan paying for the non-discounted portion by shipping Jordanian products. Exchanges under the protocol stopped when hostilities began in March. According to the Amman Chamber of Industry, about 5% of Jordan's total exports to Iraq were purchased by private Iraqi companies. Annual statistics on Jordanian exports to Iraq are available on the Central Bank of Jordan and Department of Statistics websites.

[1](#)4. (sbu) The Jordanian government and business community are hopeful that they will be able to re-establish and build upon Jordan's close traditional trading and business relationship with Iraq. Jordanian businesses and companies have longstanding contacts in the Iraqi government and private sector, as well as family and personal relationships with Iraqis. In addition, private Iraqis have invested in manufacturing facilities in Jordan that were used to supply the Iraqi market under the OFF and barter protocol programs. Jordanian companies and the government also hope that the seaport in Aqaba and international airport in Amman will serve as major logistical hubs for provisioning the Iraqi economy.

[1](#)5. (sbu) The Chamber of Industry and the government recognize that many Jordanian businesses that exported to Iraq under the bilateral barter protocol will not be competitive in a market environment. They expect, however, that other Jordanian industries and companies will be able to compete successfully, as they currently do in other regional markets, including GCC countries and Egypt.

[1](#)6. (sbu) Jordanian businesspeople believe that Iraqi companies and government agencies will require extensive assistance in order to resume exporting. For example, an Amman-based grain trader who has had long experience selling to Iraq told us that his Iraqi counterparts were telling him that all of the records of the "Foodstuffs Authority," the Iraqi agency responsible for grain procurement, had been destroyed. The remaining officials do not even have points of contact with foreign suppliers. The Jordanian business community believes that it is well-placed to assist its Iraqi private sector counterparts develop their capabilities. The American Chamber of Commerce in Jordan, for example, has discussed its interest in helping establish a counterpart AmCham organization in Iraq.

GNEHM